

STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE SERVICES

Before the Commissioner of the Office of Financial and Insurance Services

In the matter of:

HealthPlus of Michigan

Enforcement Case No. 06-4283

Respondent
_____ /

Issued and entered,
on 17 November, 2006,
by Frances K. Wallace
Chief Deputy Commissioner

CONSENT ORDER AND STIPULATION

I.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. At all pertinent times, HealthPlus of Michigan, (Respondent) was a licensed health maintenance organization authorized to transact the business of insurance in this state.
2. As a licensed health maintenance organization, Respondent knew or had reason to know that Section 3521(1) of the Michigan Insurance Code requires that: "[T]he methodology used to determine prepayment rates by category rates charged by the health maintenance organization and any changes to either the methodology or the rates shall be filed with and approved by the commissioner before becoming effective."
3. Respondent also knew or had reason to know that Section 3525(1) of the Michigan Insurance Code requires that: "[E]xcept as otherwise provided in subsection (2), if a health maintenance organization desires to change a contract it offers to enrollees or desires to change a rate charged, a copy of the proposed revised contract or rate shall be filed with the commissioner and shall not take effect until 60 days after the filing, unless the commissioner approves the change in writing before the expiration of 60 days after the filing. If the commissioner considers that the proposed revised contract or rate is illegal or unreasonable in relation to the services provided, the commissioner, not more than 60 days after the proposed revised contract or rate is filed, shall notify the organization in writing, specifying the reasons for disapproval or for approval with

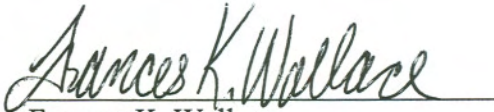
modifications. For an approval with modifications, the notice shall specify what modifications in the filing are required for approval, the reasons for the modifications, and that the filing becomes effective after the modifications are made and approved by the commissioner. The commissioner shall schedule a hearing not more than 30 days after receipt of a written request from the health maintenance organization, and the revised contract or rate shall not take effect until approved by the commissioner after the hearing. Within 30 days after the hearing, the commissioner shall notify the organization in writing of the disposition of the proposed revised contract or rate, together with the commissioner's findings of fact and conclusions."

4. On or about September 2005, Respondent notified the Office of Financial and Insurance Services, ("OFIS") that during the 2005 rating year (January – December 2005) they had been charging rates that were inconsistent with rates that Respondent filed with and were approved by OFIS.
5. Previously in February 2003, OFIS notified the Respondent that the rates they were charging employers could not be connected to any rates that were filed and approved by the Commissioner of the Office of Financial and Insurance Services. Respondent was quoting several employer groups before making its annual filings. Respondent did not indicate to these employer groups that the rates were subject to change pending approval of their rate filings.
6. On August 14, 2003, OFIS issued a Notice of Opportunity to Show Compliance alleging Respondent violated Section 3521(1) of the Michigan Insurance Code, MCL 500.3521(1).
7. On December 16, 2003, OFIS and the Respondent entered into a Consent Order and Stipulation. OFIS ordered the Respondent to cease and desist from operating in such a manner as to violate Section 3521(1) of the Michigan Insurance Code, MCL 500.3521(1), and ordered the Respondent to pay a \$1,500.00 market conduct fee.
8. The Respondent has again charged rates to certain employer groups that were inconsistent with the rates on file with OFIS. Respondent also failed to notify the Commissioner of the Office of Financial and Insurance Services and failed to submit the proposed changes for approval before implementation. By charging rates which differed from the rates on file with OFIS and failing to submit proposed changes to the Commissioner for approval, the Respondent violated Sections 3521(1) and 3525(1) of the Michigan Insurance Code, MCL 500.3521(1) and 500.3525(1).

**II.
ORDER**

Based on the findings of fact and conclusions of law above and Respondent's stipulation, it is **ORDERED** that:


1. Respondent shall immediately cease and desist from violating the Michigan Insurance Code, including but not limited to Sections 3521(1) and 3525(1) of the Michigan Insurance Code.
2. Respondent shall pay to the State of Michigan a civil fine of Two Thousand Dollars (\$2,000.00). Upon execution of this Order, OFIS will send Respondent an Invoice for the civil fine, which will be due within 30 days of issuance of the Invoice.


Frances K. Wallace,
Chief Deputy Commissioner

**III.
STIPULATION**


I have read and understand the Consent Order above. I agree that the Commissioner has jurisdiction and authority to issue this Consent Order pursuant to the Michigan Insurance Code. I waive the right to a hearing in this matter if this Consent Order is issued. I understand that the Consent Order and Stipulation will be presented to the Commissioner for approval and the Commissioner may or may not issue this Consent Order. I waive any objection to the Commissioner deciding this case following a hearing in the event the Consent Order is not approved. I admit to the Findings of Fact and Conclusions of Law set forth in the above Consent Order and agree to the entry of the Consent Order.

Dated: 11/14/06


HealthPlus of Michigan
Dan Champney, Vice President Human
Resources and General Counsel

The Office of Financial and Insurance Services staff approves this stipulation and recommends that the Commissioner issue the above consent order.

Dated: 11-17-06

A handwritten signature in black ink, appearing to read "William R. Peattie", written over a horizontal line.

William R. Peattie
OFIS Staff Attorney